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Board of Governors of the Federal Reserve System
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To Whom it May Concern:

On behalf of the National Association of Hispanic Real Estate Professionals® (NAHREP®) we commend the Federal Reserve for its Advance Notice of Proposed Rulemaking (ANPR) and its focus on transparent data analysis and quantitative measures of impact on communities rather than on single metric formulas that otherwise are easy to manipulate. We take this opportunity to urge the Federal Reserve to strengthen the rigor of CRA exams overall in order to expedite a full economic recovery, particularly for those most affected by the COVID-19 pandemic.

As the nation's largest Latino business organization, representing over 40,000-members and over 100 chapters nationwide, NAHREP stands at the intersection of representing not only the professionals that make up the trade association, but also Latino consumers. Our mission driven organization is squarely focused on advancing sustainable Hispanic homeownership, as we believe that it is the best strategy for building wealth.

Not only is NAHREP committed to increasing Latino homeownership rates as a means for closing the racial and ethnic wealth gap, but our advocacy is also rooted in the understanding that Latinos are the future of the housing market and will play a critical role in revitalizing our recessed economy. Over the past decade, Latinos have accounted for over fifty percent of the overall homeownership growth in America, and over 40 percent of the growth in household formations.¹ Latinos are driving demand for homeownership. And, housing is a sector that is vital to the growth of the U.S. GDP. The National Association of Home Builders (NAHB) estimates that housing accounts for 16.3 percent of the overall GDP, or approximately \$3.4 trillion dollars in 2018.² Therefore, investments in the Hispanic community to ensure sustained homeownership growth is critical for the overall economic reof the overall economy, particularly as we are bound to face a demand crunch in the aftermath of the COVID-19 pandemic.

NAHREP members understand the critical role that the Community Reinvest Act plays in advancing homeownership opportunities for Latinos. CRA is one of the most powerful mechanisms to reverse the disinvestment associated with years of government policies and market actions that deprived low- to moderate-income (LMI) communities of affordable and sustainable credit.

In NAHREP's latest State of Hispanic Homeownership Report³ we found that in 2018, Hispanics purchased homes with a median down payment of 3.5 percent, compared to 10 percent for

¹ U.S. Census Bureau. (2020, January 30). Current Population Survey/Housing Vacancy Survey

² Calculation made in partnership with the National Association of Home Builders (NAHB) using data from National Income and Product Accounts (NIPA), Bureau of Economic Analysis (BEA), American Housing Survey (AHS), American Community Survey (ACS), U.S. Census Public Use Micro data (PUMS), and NAHB estimates. (2019, February).

³ National Association of Hispanic Real Estate Professionals. *State of Hispanic Homeownership Report, 2019* Retrieved from <https://nahrep.org/downloads/2019-state-of-hispanic-homeownership-report.pdf>



the general population.⁴ Furthermore, Hispanics have a median credit score of 684, a median household income of \$51,404 and 41.2 percent of Hispanic homebuyers had a DTI above 43 percent. All of these characteristics underscore an important reality; affordable lending products, often provided through CRA channels, have been a critical contributor to the Hispanic homeownership growth exhibited over the past decade.

As such, the following are our recommendations for the Advanced Notice of Proposed Rulemaking on changes to the Community Reinvestment Act (CRA):

The Federal Reserve proposal must prevent grade inflation

The Fed's ANPR proposes thresholds that replicate the existing CRA ratings distribution. And, on a state level, the proposal calls for a reduction of subtest from five to four. We believe that this would result in fewer mechanisms through which to incentivize banks to be more responsive to the needs of underserved communities. Tools such as home loans and small business lending to communities of color, will be critical for COVID-19 recovery. We therefore urge the Fed to maintain the existing five ratings in the state level exams.

CRA exams should require data collection on race and ethnicity

The ANPR asked whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. We encourage the Fed to designate underserved census tracts based on low levels of lending. Analysis of CRA performance could also include racial and ethnic demographic data to determine performance and explicitly include race and ethnicity in the CRA exam. Another consideration is for the Fed to grant CRA credit in exams for lending and investing in majority minority census tracts.

Improve data collection

In the interest of reaching underserved areas, we strongly support the Fed's proposals to improve data collection including community development financing data, which would better enable stakeholders to determine communities most in need.

We know this is a challenging moment for our nation. The protection of credit opportunities for working families will be a vital component of recovery efforts in a post-pandemic economy. We thank you for your consideration and look forward to working with you on this issue. For any questions regarding this letter, please feel free to contact Noerena Limon, SVP of Public Policy and Industry Relations at nlimon@nahrep.org.

Sincerely,

Noerena Limon

Noerena Limon

SVP of Public Policy and Industry Relations
NAHREP

⁴ Calculations made by NAHREP in partnership with Urban Institute using 2018 HMDA data and ACS data.